

UNLOCK THE BORROWING POWER OF YOUR INVESTMENTS

# Loan Management Account<sup>®</sup>

The LMA account is a flexible line of credit offered by Bank of America, N.A. (the Bank). It is an account that allows you to use your eligible investments as collateral for multiple loan advances, giving you access to funds for personal and business financing needs. The LMA account has no application or maintenance fees<sup>1</sup> and offers you the ability to use a broad range of eligible assets as collateral to help you optimize your borrowing power.

## The LMA account is a convenient, flexible way to borrow funds

- When you open an LMA account, the Bank establishes your total available credit based primarily on the combined value of all your eligible assets used as collateral.
- You can access your available credit through variable-rate advances and/or one or more fixed-rate advances without having to reapply for each new loan advance.
- You can easily access funds, generally within one day of approval.
- Subject to certain restrictions, including maintaining sufficient collateral, you can continue to manage your brokerage accounts even though you've used them as collateral.
- There is no minimum balance after line is established, or annual fee, so you can access funds as you need to.
- You, or an eligible third party, can use a broad range of assets in one or more eligible Merrill accounts as collateral to increase borrowing flexibility.<sup>2</sup>

## The LMA account offers you several key benefits

### Take advantage of competitive interest rates and credit access options

Competitive London Interbank Offered Rate (LIBOR)-based rates are set according to your initial total available credit, not

your outstanding balance. You can access credit through one or more of the following:

- Variable-rate advances
  - Automatically set up when your LMA account is activated
  - No minimum loan balance required after line is established
- Fixed-rate advances<sup>4</sup>
  - Terms for one month or more at discretion of the Bank
  - In amounts as low as \$50,000 or more<sup>4</sup>
- Standby letters of credit

Initial approval amount	Interest rate* As of February 21, 2020
\$100,000 – \$499,999	5.50175%
\$500,000 – \$999,999	5.25175%
\$1,000,000 – \$4,999,999	4.62675%
\$5,000,000 – \$9,999,999	4.12675%
\$10,000,000 +	3.87675%

\*Applies to variable-rate advances only. Based on 1-month LIBOR-based interest rates that reset weekly plus a spread. This rate is calculated based on a 360-day year and would be higher if calculated on a 365/366-day year.

## You can use your LMA account as a cost-effective way to meet a variety of short- and long-term personal and/or business financing needs, including:

- Personal and investment real estate purchases
- Tax payments
- Debt consolidation
- Luxury purchases
- Education costs
- Business startup or expansion or acquisitions
- Medical and emergency expenses
- Weddings
- Diversification for concentrated securities positions<sup>3</sup>

### See last page for additional important information.

Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as "MLPF&S" or "Merrill") makes available certain investment products sponsored, managed, distributed or provided by companies that are affiliates of Bank of America Corporation ("BofA Corp."). MLPF&S is a registered broker-dealer, Member SIPC and a wholly owned subsidiary of BofA Corp.

Banking products are provided by Bank of America, N.A., and affiliated banks, Members FDIC, and wholly owned subsidiaries of BofA Corp.

Investment products:

<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
-----------------------------	--------------------------------	-----------------------

## Keep your investment strategy on track

With an LMA account, you can use your line of credit for the funds you need rather than deplete cash reserves or disrupt your investment strategy by selling assets. And, there is no need for you to transfer assets into a separate collateral account.

- Continue to trade and manage investments and access cash in your accounts, subject to certain restrictions including maintenance of sufficient eligible collateral.
- You may continue to access cash in your collateral accounts and choose when to pay down your loans, subject to certain restrictions and loan terms.
- Keep in mind that market fluctuations and collateral calls could affect your investment strategy.

## Manage multiple loans through a single account

The LMA account provides a convenient way to manage multiple securities-based loans through one account. You can establish more than one loan advance to meet different financing needs without having to reapply for each new loan advance.

Complete the streamlined loan application process just once; there's no need to reapply for additional loan advances.

- Easily access funds, generally within one day of approval.
- Control repayment of your loan depending on your cash flow needs, as long as your account is in good standing.
  - Your Merrill advisor can help you establish an appropriate repayment process for both interest and principal. For instance, you have the option to enroll in the LMA Funds Transfer Service (FTS)<sup>5</sup> to make your payments.

## Benefit from greater simplicity, ease and control

Your LMA account can be integrated with other Merrill account management services.

- Your LMA account loan statement can be combined with your other Merrill monthly statements in one package and via online account access.
- Access funds easily using checks, FTS or Fedwire® transfers.
- Check loan activity at any time by phone or online.
- Select overdraft protection for eligible collateral accounts.<sup>6</sup>
- No check amount minimums or minimum loan balance after line is established subject to sufficient availability.
- No application fees or account maintenance fees.<sup>4</sup>

## Part of creating a financing strategy

An LMA account is one of many financing solutions available to you.

As a Merrill client, you have access to one of the nation's broadest ranges of financing products and services from Bank of America. Your Merrill advisor can help you by:

- Conducting an analysis of your total financial picture, including understanding your risk tolerance, time horizon and lending needs
- Helping you make informed choices about when and how much to borrow to meet different financing needs

## Other clients have used their Loan Management Account to:

**Pay tuition** — To help meet all the expenses coming their way, for private school and college, clients have used an LMA account with a revolving line of credit, offering as-needed-advances at variable rates. With a credit line in place to cover education expenses clients are able to enjoy their children's successes while helping to keep their financial strategy on track to meet their other needs, including retirement.

**Become an entrepreneur** — An aspiring business owner, Susan spots a sports apparel store for sale and needs to act quickly. Fortunately she has an LMA account in place with \$800,000 in available credit. Using the LMA account, she's able to arrange a three-year, fixed-rate advance to buy the business, beating out potential buyers whose financing wasn't in place<sup>4</sup>. As a new business owner, she can now tap the LMA account for advances at variable rates to meet the expenses and help her grow her business.

**Buy a second home**<sup>7</sup> — On vacation in Naples, Florida, George learns of an opportunity to buy a getaway of his dreams in an exclusive golf community that's still being built. Eager to buy-in at preconstruction prices, he calls his financial advisor to sell investment assets for the down payment. But that could disrupt his long-term financial strategy. As an alternative, his advisor suggests he use his LMA account for a six-month fixed-rate advance for the down payment<sup>7</sup>. With this approach, George can pursue the perfect swing in Naples, without sending his investment strategy off course<sup>4</sup>.

**Please Note:** The case studies presented are hypothetical and do not reflect specific strategies we may have developed for actual clients. They are for illustrative purposes only and intended to demonstrate the capabilities of Merrill and/or Bank of America. They are not intended to serve as investment advice since the availability and effectiveness of any strategy are dependent upon your individual facts and circumstances. Results will vary, and no suggestion is made about how any specific solution or strategy performed in reality.

## Understanding risks associated with your LMA account

Securities-based financing involves special risks. You should review your LMA Loan Agreement and related documents and disclosures carefully and consult with your own independent tax and legal advisors.

Some risks to consider include the following:

- A decline in the value of your collateral assets may require you to provide additional funds or securities to avoid a collateral maintenance call. You can lose more funds than are held in the collateral account. The LMA account is a full-recourse loan and you will be liable for any deficiency.
- The Bank can force the sale or other liquidation of any securities or other investment property in the collateral account and, unless otherwise required by law, can do so without first contacting you.
- You are not entitled to choose which securities in the collateral account are liquidated or sold.
- The Bank can change its collateral maintenance requirement at any time without notice to you.

## Collateral Eligibility

Eligible Collateral Types	Advance
Ticketed money funds <sup>12</sup> (non-sweep)	
Preferred deposit	95%
Preferred deposit for business	
U.S. Treasury notes/bills/bonds/separate trading of registered interest and principal securities (STRIPS)	92%
U.S. government agencies	
CDs <sup>8</sup>	85%
Commercial paper (A1/P1)	
Corporate bonds non-convertible <sup>9</sup>	
Municipal bonds <sup>9</sup>	
Commercial paper (A2/P2)	80%
Variable Rate Demand Obligations (VRDOs)—Municipal <sup>10</sup>	
VRDO—Corporate <sup>12</sup>	70%
Market Linked Investments (MLIs) and Open-end Mutual Funds <sup>13</sup>	varies
Closed-end funds <sup>11, 13</sup>	
Exchange traded funds (ETFs) <sup>11, 13</sup>	Up to 80%
Corporate bonds—convertible <sup>9</sup>	
Common Stock <sup>11</sup>	Up to 65%

- You are not entitled to an extension of time to satisfy the Bank's collateral maintenance requirement.
- There may be adverse tax or other consequences to you if securities are sold or otherwise liquidated by the Bank.
- The LMA account is an uncommitted facility, although loans to individuals and trusts may be committed in an amount not to exceed \$100,000. The Bank may demand full or partial repayment at any time and any commitment may be immediately terminated.
- For fixed-rate advances and term loans, principal payments made in advance of the end of the applicable fixed-rate period, whether voluntarily or involuntarily, (due to demand or liquidation by the Bank,) may be subject to a substantial breakage fee as determined by the Bank.
- Some restrictions on the use of LMA account proceeds may apply under the terms of your loan documents and applicable laws and regulations.

## Ineligible Investments and Account Types

- Cash and cash equivalents— For example: Merrill Bank Deposit Program and other cash sweeps
- Long Options
- Auction market preferred securities
- Variable rate preferred (VRP)/Auction market preferred (AMP)
- Certificate of Accrual on Treasury securities (CATS), Treasury Investment Growth Receipt (TIGRS) and other Annuities

## Strategies for managing risk

Carefully choosing the quality of your investments can help reduce the likelihood of a collateral call. Other risk management strategies you should consider include:

- Borrowing less than the maximum allowable against your collateral accounts
- Borrowing against a portfolio of less-volatile securities, such as Treasury securities, high-grade corporate bonds or blue-chip stocks
- Diversifying your portfolio through an asset allocation strategy that can help minimize exposure to losses in one sector of the economy
- Monitoring your portfolio carefully, especially in periods of volatility, so that you can take appropriate steps to avoid a collateral call

## How can you get started?

Your Merrill advisor can help you learn more about how a Loan Management Account can complement your overall wealth management strategy.

<sup>1</sup> Fees may apply for certain services or programs as set forth in the LMA Agreement.

<sup>2</sup> Retirement, custodial and certain other accounts are not eligible. Estate accounts may be eligible subject to legal review. Please consult your Merrill advisor for more information.

<sup>3</sup> Some restrictions may apply to loans used to purchase, carry, or trade certain securities.

<sup>4</sup> For fixed-rate and term loans, principal payments made in advance of the due date are subject to a breakage fee as determined by the Bank.

<sup>5</sup> LMA accounts designated for purpose loans may not be eligible for these features or services. Other restrictions may apply.

<sup>6</sup> The LMA Account Overdraft Repayment Service provides protection in the collateral account for checking, ACH debits and delayed-debits Visa® activity. Contact your Merrill advisor for more information.

<sup>7</sup> Interest payable on securities-based loans used to purchase or improve real estate may not be tax-deductible and you should consult with a tax advisor to understand the tax implications.

<sup>8</sup> CD weightings/approvals are subject to maturity date (up to 5 years), DTC eligible, US denominated. CDs must be purchased through the ML desk. CDs transferred in that were purchased at an outside firm will not receive advance/maintenance value.

<sup>9</sup> Bonds must be investment grade and marginable.

<sup>10</sup> Variable Rate Deferred Obligations must be marginable and investment grade to be considered as LMA collateral.

<sup>11</sup> A long equity position will be considered concentrated if it represents 25% or more of the pledged market value and is 25,000 shares or greater. Pledged market value is the market value of long positions, minus short market value, plus net cash in the collateral account(s). Note: This may vary in the case of option strategies. A/M levels on long stock positions may be reduced based on the price per share and level of concentration.

<sup>12</sup> The underlying collateral will determine Advance and Maintenance figures. Market Linked Investments must be issued by BofA Corp. and Merrill; have a length until maturity of less than 5 years; and subject to portfolio at maintenance concentration limits (up to 50% for Principal Protection Notes, 25% for Non Principal Protected Notes). Advances are based upon the investment strategy.

<sup>13</sup> Only approved, high quality, fixed income focused closed-end and exchange traded funds will receive up to 80/85% advance/maintenance.

The Loan Management Account (LMA account) is a demand line of credit provided by Bank of America, N.A., Member FDIC. Equal Opportunity Lender. The LMA account requires a brokerage account at Merrill Lynch, Pierce, Fenner & Smith Incorporated and sufficient eligible collateral to support a minimum credit facility size of \$100,000. All securities are subject to credit approval and Bank of America, N.A. may change its collateral maintenance requirements at any time. Securities-based financing involves special risks and is not for everyone. When considering a securities-based loan, consideration should be given to individual requirements, portfolio composition and risk tolerance, as well as capital gains, portfolio performance expectations and investment time horizon. The securities or other assets in any collateral account may be sold to meet a collateral call without notice to the client, the client is not entitled to an extension of time on the collateral call and the client is not entitled to choose which securities or other assets will be sold. The client can lose more funds than deposited in such collateral account. The LMA account is uncommitted and Bank of America, N.A. may demand full repayment at any time. A complete description of the loan terms can be found within the LMA account agreement. Clients should consult their own independent tax and legal advisors. Some restrictions may apply to purpose loans and not all managed accounts are eligible as collateral. All applications for LMA accounts are subject to approval by Bank of America, N.A.

### **Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.**


Merrill, its affiliates, and financial advisors do not provide legal, tax, or accounting advice. You should consult your legal and/or tax advisors before making any financial decisions.

Fedwire is a registered service mark of the Federal Reserve Banks.

Visa® is a registered trademark of Visa International Service Association and is used by the issuer pursuant to license from Visa U.S.A. Inc.

Bank of America, the Bank of America logo, Merrill, the Bull Symbol, LMA and Loan Management Account are registered trademarks of Bank of America Corporation.

© 2019 Bank of America Corporation. All rights reserved. | MAP2970614 | SHEET-05-19-0465 | 303601PM-0619 | 06/2019

 To learn about Bank of America's environmental goals and initiatives, go to [bankofamerica.com/environment](https://www.bankofamerica.com/environment).  
Leaf icon is a registered trademark of Bank of America Corporation.

